

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6922

BILL NUMBER: SB 332

NOTE PREPARED: Jan 19, 2008

BILL AMENDED:

SUBJECT: Medicaid Disproportionate Share Providers.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill adds community mental health centers to the group of providers included as a disproportionate share provider under the Medicaid program.

Effective Date: July 1, 2008.

Explanation of State Expenditures: The bill eliminates the definition of community mental health centers (CMHC) as a disproportionate share hospital (DSH) provider under the Medicaid Program if the CMHC's Medicaid inpatient utilization rate is greater than 1%, and it includes CMHCs in the definition that requires the Medicaid inpatient utilization rate be greater than one standard deviation above the mean Medicaid inpatient utilization rate for providers receiving Medicaid in Indiana. This definition previously applied to acute care hospitals, private psychiatric hospitals, and state mental health institutions, but not CMHCs. The fiscal impact of this bill is unknown at this time. There are no data available to determine if the CMHCs would qualify as DSH providers under this definition. Further, the payment mechanism is not specified.

Background Information: Medicaid DSH payments are intended to provide additional reimbursement to hospitals that serve a disproportionate share of Medicaid and uninsured persons. The Balanced Budget Act of 1997 placed ceilings on state DSH allotments and further limits on DSH payments to institutions for mental diseases (IMDs). (IMDs include state mental health institutions, private psychiatric facilities, and CMHCs.) The federal DSH allocation for FFY 2008, is set at \$201.3 M. Part of this DSH allotment is being used to help fund the Healthy Indiana Plan for budget neutrality purposes, so beginning with FFY 2008, the actual amount available will be \$164.9 M. The IMD cap for the same period is \$66.4 M. The source of state matching funds for DSH payments is the General Fund and certain intergovernmental transfers.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning, Family and Social Services Administration.

Local Agencies Affected: Local government-owned DSH providers.

Information Sources: Family and Social Services Administration, and Federal Funds Information for States, *Issue Brief 08-03, Medicaid DSH Ceilings Published*, January 8, 2008.

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